GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2870
ANSWERED ON:13.03.2015
FINANCE COMMISSION
Rai Shri Prem Das

Will the Minister of FINANCE be pleased to state:

(a) Whether the 14th Finance Commission has submitted its report to the Government;

(b) if so, the salient features thereof;

(c) whether the report has suggested new plans for fiscal consolidation for the next five years and devolution of funds to States;

(d) if so, the details thereof and reaction of the Government thereto; and

(e) the action taken by the Government thereon?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri Jayant Sin ha)

(a) Yes Sir.

(b) The Report-of the 14!h Finance Commission has already been laid in the Parliament on 24th February, 2015 along with the Hxplanatory Memorandum as to action taken on recommendation of 14th Finance Commission. However, some of the Salient Features of 14th Finance Commission Report are as under:

1. Sharing of Union Taxes: The Commission has recommended that the share of States in the net proceeds of Union taxes may be fixed at 42% for the period 2015-2020.

2. Post Devolution Revenue Deficit Grant: The Commission has recommended a grant of Rs. 19482Jcrore to meet this deficit of eleven States for the period 2015-2020.

3. Local Bodies Grant: The Commission has recommended a total grant ofRs 2,87,436 crore for the period 2015-2020.

a. For Gram Panchayats, the Commission has recommended a basic grant of Rs. 1,80,262.96 crore and performance grant of Rs. 20,029.22 crore for all the states.

b. For Municipalities, the Commission has recommended a basic grant of Rs. 69,715.03 crore and performance grant of Rs. 17,428.76 crore for all the states.

4. Disaster Relief Grant: The Commission has recommended State Disaster Relief Fund of Rs. 55097 crore from the Union Government for the period 2015-2020.

(c) Yes Sir, 14th Finance Commission`s recommendations regarding Fiscal Consolidation to and Devolution of Funds to States are as under:

(e) to (e) Fiscal deficit of all States will be anchored to an annual limit of 3 per cent of GSDP. The States will be eligible for flexibility of 0.25% over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25% in the preceding year.

b) States will be further eligible for an additional borrowing limit of 0.25% of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10% of the revenue reeeipts in the preceding year.

c) The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above state criteria are fulfilled. Thus a State can have a maximum Fiscal deficit-GSDP limit of 3.5% in any give year.

d) The Commission has recommended that for its award period, the share of States in the net proceeds of Union taxes may be fixed at 42%.

The Government has accepted the recommendations of 14th Finance Commission regarding share of States in the net proceeds of Union taxes and local bodies grants. The recommendation with respect to Post devolution Revenue Deficit grant has been accepted `in principal` and the recommendation on Disaster1 Relief grant has been accepted with certain modifications. The other recommendations of 14``Finance Commission arc to be examined in due course in consultation with various stakeholders.